

WHAT'S WRONG WITH TOLLS? Richard Giles 31.5.2006

What's wrong with toll roads? Nothing according to their private owners. Macquarie Bank boasted an annual return of 19.4 per cent to investors over eleven years.

And nothing seems wrong to the politicians pretty well anywhere in the world. The only ones who seem to dislike toll roads are the public – which is rather strange for a democracy.

Whether in the United Kingdom, the United States or Australia surveys indicate that about two-thirds of the public reject congestion charges and toll roads.

So who is right? It could be said that ordinary people do not offer very substantial reasons for disliking tolls. One recent survey in Indiana about the privatisation of an existing State toll road for instance found that ordinary people objected to foreigners (in this case the Macquarie Bank) owning any part of Indiana. They also protested that the government was borrowing from the future.

Many say tolls are inconvenient or expensive, some object to being photographed, some are angered by fines when they happen to stray onto a toll road without a e-tag.

Politicians believe they know better. But do they?

Certainly the Governor of Indiana thinks he knows better. He commented about the public view of private tolls "Their hearts were in the right place, but not their logic". And the bill to lease the toll road has now gone ahead in their General Assembly.

This leaves us asking - Are there more substantial reasons for opposing tolls? I believe that there are, and that we are aware of them, though we do not articulate them.

Rights

What is at issue here is the right to use a road. Now a road like most things we build has *two* aspects. There is the land and there is what is constructed on it.

While much is made of the cost of construction really the most valuable thing about a toll road (and the least talked about) is the land it is built on.

I suggest that the issue of tolls is an issue not about the road as such but about the right to use the land or, as we say, the right of way. Roads are built on rights of way or common land. So the question really is Do we have a right to use common land? The answer to that I think is obvious. We do.

This I suggest is what the public knows already but does not say. The question that must follow from this is What is the role of government in regard to common land?

Jefferson gives us the answer in the American Declaration of Independence. The role of government is to protect our rights. Now here our rights are equal. We have an equal right to use the roads.

Thus all that government should be able to do with regard to roads is to legislate to protect our equal right to use the roads and other common land.

What follows from this? One thing that follows is that no *pre*-condition may be set that would stop any one of us using roads. Government can only set conditions *while we are using them*.

Now a toll is a *pre*-condition to using the toll road. If we use the road without paying we are trespassing and we are fined. (The fine is euphemistically called an administration charge.) Remember: we are being fined for using common land!

When a toll is imposed some people cannot use the road. We all know that. In fact, this is why a toll is sometimes called a congestion charge. It is intended to clear some people off.

But what I am suggesting is that we cannot test people's purposes when they use a road. They simply have a right to use roads.

We may know of working people who have used two or three toll roads on their way to and from work and who, after counting the cost, have taken a circuitous route to avoid them. That is indeed strange. After all roads were built to be used. We have clear evidence that tolls stop people using roads. When the M7

was opened it was free to use and in the first three weeks an average of 139,000 cars per day used the road. When the toll was applied the use of the road immediately went down to 79,000!

Why Roads are Popular with Government?

From what has been said so far we gain the impression that government should never have leased our roads in the first place.

Then why did it do it? In the preamble to any privatisation of roads we usually hear that government cannot afford to do it itself. But then, how do we explain the recently announced federal surplus of \$46 billion?

Government also says that borrowing is bad. However, strangely, it does not mind private companies borrowing to build toll roads.

So, let us look for some deeper reasons to explain why governments like toll roads. Since about 1990 many government departments supplying common public services have been put upon a commercial basis and are expected to make profits. That is, these departments have either disappeared (that is, privatised), or they have been broken up into numbers of separate corporations. Each of these regards itself as a separate company. These then cease to be public services and become companies. And each vies with the others to reduce costs, and enlarge profits that are declared each year as “dividends” to government. If that cannot be done accountants are employed to make it look like it is happening.

Those who direct these public corporations see themselves, not as public servants, but as company executives and directors doing business. Citizens cease to own the infrastructure. Instead they become customers.

These corporations claim to own the property they use. That ownership is the justification they have for imposing charges.

Take the RTA, the Roads and Traffic Authority, for instance. It regards itself as the owner of our main roads and able to lease them out. The public finds it very hard to uncover the basic facts about the leases. That information is a sensitive commercial secret!

The RTA sees tolls as a good way to make profits out of roads. And, as a company, it wants the biggest profit it can get. But, conscious of the public opposition to tolls, it prefers to have them built and run by private companies.

This arrangement is very handy since it also makes the RTA's annual accounts look good. Privatisation saves the RTA the need to borrow. The government also escapes blame when the tolls are imposed or increased. In fact, government now often joins in the public outrage when something goes wrong. It has ceased to have any responsibility for the common service!

In sum: the government has allowed our roads and much else to be privatised because it claims to own the roads and because, as the commercial owner, it is trying to derive as much profit from them as it can.

But, despite this, the fact remains that the government does not own roads; it only administers them as a common service to the public. Main roads remain a part of the commons to which we have an equal right of access.

Why Roads are Popular with Privatisers

Looking to why private companies like toll roads the first thing they note is that main roads and especially freeways are natural monopolies. Private companies realise that there can really be no competition. There is no market to determine prices. Once a motorway is built it is a monopoly.

But privatising roads has an added advantage that privatising other common services does not have. And that is that, once built, it needs little maintenance. Electricity grids, rail systems, and dams and pipelines attract enormous costs both to maintain and to add to.

Companies like the Macquarie Group know that motorways, especially when governed by e-tags, require next to nothing to operate. Such motorways can generate large cash-flows. (The M5 makes an average of \$198,000 in one day!)

These cash-flows are needed to pay large interest bills and to finance more acquisitions.

Conclusion

Having looked at why governments and private companies like toll roads, it is easy to see why governments are not going to abandon public-private partnerships.

There is one other reason why government is attracted to tolls that I have not mentioned. I will do so to bring this discussion to a close.

It was more than two hundred years ago that William Pitt put an amazing discovery to Parliament. Indirect taxes were by far the best way to get money out of the public because they were exacted in small amounts and therefore the public were hardly aware of them.

And, when you look closely at the matter, user-pays charges like tolls are something similar. It turns taxes into hundreds of small charges that we pay as customers. User-pays charges turn our taxes into items of personal expenditure most of which are exacted by private firms. Government seems to be virtually disappearing before our eyes!

What I have stressed today is that the right to use roads is an inalienable right. I have also stressed that governments have no right to sell the use of our roads because it does not own them. It only administers them.